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ABSTRACT

Information on California public school finance and basic financial principles vital to effective school financial management is provided in this guidebook for school board members. As a result of recent legislative and judicial actions, knowledge about budgeting and financial equity is crucial for policy makers. Five chapters discuss financial reporting; budget development, performance, and control; assessment of district financial health; and small school districts. Twenty-four tables and a glossary are included. (LMI)

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The Board And The Budget

What every school board member should know about sound school financial management.

By Paul Disario

Acknowledgements

The Board and the Budget was written by Paul Disario, Associate Superintendent, Business Services, for the Davis Joint Unified School District. Dr. Disario's extensive background in school finance includes work with the Oakland Unified School District and other California school districts. He has a doctorate degree in school administration from the University of Southern California.

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Purpose of this Book

The Board and the Budget is designed to aid school board members in managing their school district's budget. After all, board members are required to approve an annual budget for their school districts each year, certify their district's financial solvency annually and approve an audit of their district's financial operations after the end of each fiscal year.

And yet, very few school board members are elected with an intimate knowledge of the sometimes Byzantine, often bizarre California school finance system. While school district business staff and superintendents will assist board members and make recommendations concerning the finances of a district, it is critical that board members have — at the very least — a general idea of what is being recommended.

This handbook is designed to help you, the school board member, gain an insight into California school finance and become familiar with some of the basic financial and budget principles which are vital to sound school financial management.

Introduction

By using the information and ideas in this book, you as a local school board member can improve your knowledge of your district's finances and ensure that your district is on a sound financial footing. If your district avoids serious financial problems, staff will be able to focus on educational programs and minimize distractions by financial considerations. Because financial problems inevitably detract from a district's educational program, this book is designed to aid your district in avoiding money difficulties by giving you hints and ideas for early detection of funding problems.

Until recently, California school finance was largely a local problem. Property taxes were levied by school boards to fund their community's schools. But in 1972, the California Supreme Court ruled in the *Serrano* case that California's school financing methods were unconstitutional. The reason: Districts with high property values were levying low taxes and thereby producing large amounts of revenue to fund superior educational programs. Districts with low property valuations, by contrast, were unable to raise the revenue necessary to deliver such programs.

The Legislature's response to this ruling was the "revenue limit." This financing method reduced the amount of money "high wealth" districts could raise, and began the process of "equalizing" school districts' revenues throughout California. As a result of the *Serrano* decision and Proposition 13, which significantly reduced property tax revenues to schools, the Legislature has largely taken over the financing of the state's public schools. A number of school finance bills have been enacted to implement the *Serrano* decision and to replace revenues lost through "Prop. 13."

The state's strong control of school revenue has virtually eliminated funding inequality in California schools. But there has emerged scant evidence that this new equality of funding has produced any better results in "low wealth" districts. Test scores have increased only slightly, and only in certain areas. What is clear, however, is that the strong state control of school revenues has caused a precipitous decline in the financial support for California's K-12 educational system. Our public schools must now compete directly with other state priorities such as health, welfare and transportation for necessary funding. This decline is reflected in the statistics in Table 1.

Current Financing Method

SB 813, the current school finance law enacted in 1983, provides that each district receive an annual cost of living adjustment (COLA) based on the district's per pupil allocation ("revenue limit") and its relative "high" or "low" wealth. The former is accomplished by a flat-rate cost of living adjustment. The latter revenue limit is achieved through a combination of about 75 percent state general fund dollars and 25 percent local property taxes.

Districts may also receive additional funds in the form of categorical aid, which is restricted to special programs, and a share of the profits from the state lottery. (The lottery currently represents less than 3 percent of total school revenues). As for new school construction, this is financed through a combination of locally enacted developer fees and state loans/grants to local districts.

The state's share of construction money is financed from bond issues.

Today's School Finance Issues

This section is a particularly risky one to compose. The information noted here is dated almost as soon as it is written. Nevertheless it is important to discuss those issues which impact the future of school finance.

The state spending limit: In 1979, California voters passed a controversial state constitutional spending limit. It limits the growth of state spending to growth in population and growth in the U.S. Consumer Price Index, or to California per capita income, whichever is lower. The state may have reached its spending limit in 1987. This means that the state, while having access to accelerating revenue, may not be able to spend it all. Rather, the state may be required to return the unspent revenue to taxpayers. The surge in school enrollment has compounded the problem for school finance because school populations are growing faster than the total state population. Indeed, the consequences of the spending limit are painfully obvious to those of us who, since 1972, have become dependent on state appropriations to fund our local schools.

State fiscal policy: The current administration in Sacramento is fiscally conservative and committed to resisting tax increases. Furthermore, this governor has little regard for categorical

programs. Philosophically, this administration would like to see the revenue which supports these categorical programs "folded" into general purpose school revenues. Because of this fiscal conservatism, funding increases for schools are likely to be small and California's school funding position relative to other states is likely to remain the same or perhaps decline.

Required state financial reporting: The Financial Management Advisory Committee (FMAC) project is an attempt by the Department of Education and the state controller to modernize accounting and fiscal practices of California's 1,084 school districts and county offices of education. The motivation behind this project is the Legislature's desire to reduce the number of school districts requiring financial bailouts, the most recent —and most publicized — being the bankrupt San Jose Unified School District in 1983. Now, boards must certify their fiscal condition to the county superintendent and the state. Training of business officials, superintendents and school boards in modern fiscal management techniques is also a major goal of this project.

The state lottery: The state lottery has been generally successful as a source of funding to schools, providing about $130 per public school pupil during the 1985-86 fiscal year. It is predicted to stabilize at about $100 per pupil in the future. However, this represents less than 3 percent of total school revenues and is not a large enough source of revenue to make any significant contribution to solving California's school funding problems.

Local tax elections: Many districts in the state have attempted to pass local "parcel" taxes through elections. A few have had success, but not surprisingly the successful districts are often ones formerly labeled "high wealth." The fact remains that such elections may be the only source of additional school revenue in the future.

School funding in California is state controlled and may decrease in the future relative to money spent on schoolchildren by other states. California now requires school districts to report their financial condition on a regular basis. Additional dollars may be generated for local schools by means of local parcel tax elections.

Thus, it is important for you as a school board member to keep close tabs on your district's finances so you can help your district plan a successful future. After all, the failure to plan ahead financially can only result in the disruption of your district's educational programs.

Table 1

Comparisons of Education Expenditures, Teacher Salaries, Student-Teacher Ratios, and Graduation Rates Among California, New York, Minnesota, and Michigan, 1983-84

	California	New York	Minnesota	Michigan
Expenditures per pupil in ADA	$ 2,912	$ 4,845	$ 3,376	$ 3,498
Rank (expenditures/pupil)	31	3	17	15
State and local revenues as % of personal income	3.75%	4.93%	5.12%	5.01%
State and local expenditures for local schools as % of total government expenditures	22.16%	22.08%	23.77%	25.77%
Teacher salary	$26,403	$26,750	$24,480	$28,877
Students/teacher	24	16	18	23
High school graduation rate (% of ninth grade enrollment four years earlier)	69%	66%	89%	73%

Source: Will S. Meyers, Comp., et al. 1984. *How States Rate: Measures of Educational Excellence*. Washington, D.C.: National Education Association.
Source: P.A.C.E.

CHAPTER ONE

Financial Reporting

This section is intended to provide board members with the basics on financial reporting. This includes report formats, hints on deciphering reports, definitions, a simple discussion of ending balances and board responsibilities in (FMAC).

The Financial Report For The Board

Why do you need a financial report?

Financial reporting is the basis for all financial planning and decision making. Financial reporting provides you with the information and data needed to make intelligent and informed decisions about the financial future of your district. Financial reports let you monitor your district's budget performance over time and are the first step in building your district's expenditure plan for the next fiscal year.

Reports should be clear and simple.

Good, clear, simple financial reporting is essential to financial planning. Reports must be concise (one page of figures and one page of written assumptions), but contain enough information so the board, with aid of the district's chief business officer, can judge the district's financial condition.

Ending Balance projection.

The best way for a board to review its finances is to request a projection from staff of the ending balance for the current fiscal year and compare expenditures and revenues to budgeted expenditures and revenues. Such reports should include a list of assumptions which were used in their preparation. (See tables 2 and 3).

Hints on reviewing the report.

- If the projected ending balance is less than 3 percent of projected revenues, it is time for board members to become concerned about the level of their district's reserves. **Reserves or unrestricted ending balance should equal at least 3 percent of projected revenues.**
- If the projected ending balance is significantly less than the beginning balance, board members should become concerned.
- If projected expenditures exceed budget, or projected revenues are less than budget, this is cause for concern.
- Review the assumptions which should be provided with the report. Do they seem reasonable? Ask staff questions about the assumptions if you have any doubts.

Boards are required by state law (AB 1366) to certify their financial condition twice during the July 1 to June 30 fiscal year. The reports are due to the county superintendent in January and April.

The report displayed in tables 2 and 3 is the type of report which will permit you to certify your district's financial health. You should request a report at least three times a year (October, January and April). If it is determined that your district is experiencing financial trouble, the reports should be provided monthly.

Demystification Of Account Codes

Board members typically receive financial reports which are described, at least in part, by account codes. These codes, while sometimes confusing, are a standard method of describing financial information. The account codes used in California are prescribed by the California School Accounting Manual.

Account codes are important in order to provide a logical and consistent classification of expenditures and revenues. A computer is used to make the task manageable. A revenue account classifies receipts whereas an expenditure account classifies the dollars spent.

For example, account codes assigned to the School Improvement Program identify incoming funds as well as expenditures for salaries, supplies, etc. as belonging to the School Improvement Program. This expenditure coding will gather all certificated salary expenditures together under one, high-level account code. (See table 3 to view the use of high level account codes).

Revenue coding is usually a very straightforward description of an income source. There is a great deal of interest by the public, the Legislature and others in school expenditures. Therefore, the coding of expenditures is usually far more complex than the coding of revenue.

Expenditure codes are usually divided into subclassifications in order to provide the type of information needed about school expenditures. These subclassifications are as follows:

Site or Department code: This code identifies a school or department. (See table 4).

Object code: This code identifies the type of expenditure, such as salaries and employee benefits along with non-salary items such as books and school supplies. (See table 5).

Program Code: This code identifies a function or activity such as maintenance, transportation and school administration. (See table 6).

Other codes: Some districts may use other expenditure codes to provide additional information about expenditures.

Sample Expenditure Code Structure

Site	Program	Object	Funding Source
101	430	1100	MUR7
Jones School	Elem Ed	Teach Sal	Miller-Unruh Reading

As a board member, you can ask for information about your district's expenditures described by the account codes listed above. For example, you can ask to see what types of expenditures are being made in your district's Miller-Unruh reading program.

In short, you can ask for financial information sorted in any way that is possible. For example, table 7 displays a budget report arranged by school site, funding source and object of expenditure. This type of school site report shows the direct support dollars that are actually available to a school site. The report demonstrates how an accounting system can be used to produce valuable data for a school.

In order for a board member to better understand financial reporting, a discussion of fund accounting and the knowledge of the purpose and uses of a fund is necessary.

Purpose And Definition Of A Fund

California schools use a form of governmental accounting known as "fund accounting." This form of accounting is required by the Education Code and helps school districts account for expenditures and revenues within certain broad categories.

Examples of these broad categories are the K-12 program (the general fund), the cafeteria program, school construction and deferred maintenance. A separate fund is maintained to account for the financial activity associated with each of these broadly defined activities or programs. Your business office must maintain a separate set of self-balancing books for each fund.

The Association of School Business Officials describes a fund as follows:

A fund is defined as an independent fiscal and accounting entity with a self balancing set of accounts. These accounts record all assets and financial resources together with related encumbrances, reserves and equities which are segregated for the purpose of carrying on specific activities or obtaining certain objectives in accordance with special regulation, restrictions, or limitations.

The purpose of a fund is to ensure that the dollars associated with a specific activity are not co-mingled with other dollars used by the district. They are accounted for separately. For example, the repayment of bonded indebtedness is paid from special property tax assessments. Law requires that these funds be kept separate from other funds in the district. This is accomplished by the establishment of a Bond Interest and Redemption Fund. As noted above, a separate set of self-balancing accounts will be maintained for the fund. A list of funds currently in use by California school districts can be found in table 8

The report (see tables 2 and 3) which was described earlier in this section can be produced for each fund of the district. It is often wise for board members to request such reports on funds which may be experiencing financial difficulty. Funds which are often in a deficit situation are food service (because prices aren't raised frequently enough to offset increased costs) and child development (because of insufficient state funding — having received no COLA for several years).

In summary, districts use funds and fund accounting to segregate the dollars received and spent on certain broad

categories. The use of fund accounting is required by law. The district business office keeps a set of self-balancing books on each fund.

Earlier in this section, we briefly touched on the concept of the "fund balance." A fund balance is the amount of assets remaining in a fund at the end of an accounting period. The next part of this section deals with the fund balance.

Fund Balance

What exactly is a fund balance? A fund balance is defined as the current assets of a fund. Schools use the concept of the ending fund balance to assess the financial health of the district's various funds. Examples of the assets which make up the ending fund balance are cash, accounts receivable, warehouse inventory (goods in the district's warehouse), and prepaid expenses such as insurance policies whose term overlap the fiscal year. The ending fund balance is the assets remaining in the fund at the end of the fiscal year.

The ending fund balance can be divided into restricted and unrestricted amounts.

Restricted: A restricted fund balance is defined as those funds which must be spent for a specific purpose and cannot be expended for any *general* purpose. Examples of restricted ending balances of the general fund are categorical programs such as Chapter I and the School Improvement Program.

Unrestricted: An unrestricted fund balance is defined as those funds which may be expended for any *general* purpose within the guidelines established for the fund.

Anaylsis Of Restricted And Unrestricted Fund Balances

District staff should perform a quarterly analysis of restricted and unrestricted fund balances for the board as part of their analysis of district finances. A detailed analysis of restricted and unrestricted portions of an ending balance is displayed below:

Ending Balance Analysis

Restricted Balance Components	
School Improvement	$ 20,000
Chapter I	$195,000
EIA	$105,000
Subtotal	$320,000
Unrestricted Balance	$300,000
Total Ending Balance	**$620,000**

This analysis is quite valuable during collective bargaining so employee groups and the board know precisely how much unrestricted ending balance may be available for salary increases. This particular analysis, for example, reveals that while the district has an ending balance of over $600,000, only $300,000 is available for "general purposes." If this analysis had not been performed, a decision to expend the restricted amounts for general purposes may have been made. Such a decision could have had serious financial consequences, such as over-expending the general purpose funds of the district or requiring that the district repay categorical funds from general purpose funds.

The final part of this chapter deals with state-required financial reporting. The state mandated in 1985 that interim reporting be identical to the report recommended for boards at the beginning of this section (see table 2). It should be noted that the state believes in the importance of regular financial reporting, as well as cost accounting reports. Not surprisingly, many of the more recent reports and reporting requirements were developed by the state's Financial Management Advisory Committee.

Financial Management Advisory Committee (FMAC)

New State Financial Reporting Requirements

The State Department of Education established FMAC in 1983 in response to concerns by the Legislature and the state controller that school district financial management was weak and ineffective. Both agencies expressed concern about the number of school districts which had experienced financial difficulties in recent years. They were alarmed at the prospect of Sacramento having to "bail out" school districts.

The bankruptcy of the San Jose Unified School District in 1983 received a great deal of publicity. But the state ultimately did not provide any monetary support to San Jose. The state did provide short term loans to the Alameda County Office of Education, the Emery Unified School District, the Berkeley Unified School District, and others — all of which experienced such serious financial difficulty that they could not meet their payrolls.

In response to these financial crises, FMAC mandated new reports which provide early warnings of financial problems to boards and the state. Other reports to the state describe how a district spends its money. FMAC innaugurated the first stages of a training program in 1986 for school business offices, superintendents and boards by conducting a survey to assess their training needs.

The "early warning," or financial condition report, is required by law (AB 1366). The form the report must take is outlined in table 9. Sacramento now requires that boards certify to the county superintendent as well as the State Department of Education their district's financial condition twice each fiscal year, in January and April, using the report on tables 2 and 3. There are three classes of certification: ***positive***, ***qualified*** and ***negative***.

Positive Certification: This certification means that your district has sufficient resources to meet its financial obligations for the current fiscal year.

Qualified Certification: This certification means that your district may or may not have sufficient resources to meet its financial obligations for the current fiscal year.

Negative Certification: This certification means that your district does not have the resources to meet its financial obligations for the current fiscal year.

All reports are submitted to the county superintendent. Only qualified and negative reports are forwarded to the State Department of Education. The Department monitors and advises those districts which submit qualified and negative certifications.

The state requires other reports, including one which describes your district's spending on a classification of revenue and expenditure basis. Additional reports include a cost accounting report and a new budget and final expense report which describe in great detail your district's finances. Lottery revenue and expenses are also the subject of special reports (see table 10).

This type of financial reporting shows what a district does with its resources. It is not intended to describe a district's financial condition. Rather, it can be useful in analyzing a district's financial status. Board members who are interested in this type of reporting may desire to request these reports from their business office.

Board members might like to know that FMAC has produced a survey describing school districts' training needs in financial management. This survey found that training was desperately needed in all areas financial management. The survey concluded that the highest priority for training now is in the business offices of school districts, with superintendents and boards close second priorities. Unfortunately, little to date has been accomplished to implement this needed training.

Summary

Financial Reporting. The board should receive regular financial reports which project fund balances. Reports of low fund balances or significant changes in fund balances are a cause for board concern and attention.

Account Codes. This is a logical method of categorizing revenue and expense. The codes permit the computerization of financial information.

Definition of a Fund. A fund is a self-balancing set of accounts designed with a specific purpose in mind, such as food service.

Fund Balance. This is the amount of assets remaining in a fund at the close of a fiscal year.

State Reporting. The State of California requires schools to prepare and submit various financial reports. School boards are required to certify their districts' financial condition twice each fiscal year.

Table 2

1986-87 Interim Report
General Fund For Quarter Ended March 31, 1987

	Adopted Budget	Board Approved Operating Budget (4/23/87)	Actual To Date (3/31/87)	Projection 6/30/87
Adjusted Beginning Fund Balance	$1,081,026	$1,081,026	$1,081,026	$1,107,254
Revenue				
Revenue Limit Sources	$13,521,144	$13,521,144	$9,837,937	$13,621,144
Federal Revenue	185,685	348,621	276,106	348,621
Other State Revenue	1,683,669	1,853,122	1,173,524	1,774,087
Other Local Revenues	722,426	920,050	414,280	920,050
Transfers In	68,775	13,400	0	13,400
Total Revenues	$16,181,699	$16,656,337	$11,701,847	$16,677,302
Total Revenue & Beginning Fund Balance	$17,262,725	$17,737,363	$12,782,873	$17,784,556
Expenditures				
Certificated Salaries	$9,200,531	$9,612,974	$6,393,167	$9,517,529
Classified Salaries	2,721,408	2,748,206	2,078,605	2,803,502
Employee Benefits	2,274,526	2,302,743	1,565,810	2,279,714
Books and Supplies	696,907	772,366	502,993	772,366
Service, Other Operating Expenses	1,143,012	1,346,482	886,165	1,346,482
Capital Outlay	187,242	290,784	224,400	290,784
Other Outgoing	2,000	2,000	5,989	2,000
Transfers Out	85,000	90,102	73,140	90,102
Total Expenditures & Other Outgo	$16,310,626	$17,165,657	$11,730,269	$17,102,479
Ending Fund Balance	55,177	(51,416)	(51,416)	44,346
Lottery Fund Balance	561,231	343,593	343,593	290,786
Restricted Fund Balance	144,328	83,966	83,966	151,865
Reserves	191,363	194,923	194,923	195,080
Total Ending Balance	952,099	571,066	571,066	682,077
Total Expenditures & Ending Fund Balance	$17,262,725	$17,736,723	$12,301,335	$17,784,556

Table 3

Davis Joint Unified School District
1987 Ending Balance Projection
April 23, 1987

OVERALL

This projection is based on expenditure and income data to date. The projection will change as more data becomes available.

REVENUE

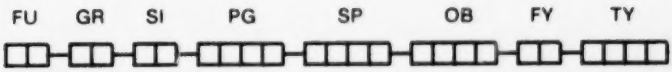
1. 1986-87 revenue income is projected to be the same as in earlier reports with the exception of additional categorical revenue.
2. Lottery revenue continues to be $100,000 less than budget due to lower-than-anticipated lottery sales.
3. All other 1986-87 revenue is projected to approximately equal budgeted revenue.

EXPENSE

1. Projected salary expense for 1986-87 has been calculated to reflect salary expenditure patterns to date and adjusted for known factors.
2. Projected benefit expense is very close to budgeted expense.
3. Projected non-salary projected expense is very near to budgeted expense.

Table 4

Chart of Accounts: Site



Number	Name	Abbrev.
00	NO SITE	NO SITE
10	ELEMENTARY-INSTRUCTIONAL SERVICES	EL INST
11	BIRCH LANE	BIRCH LN
12	NORTH DAVIS	N DAVIS
13	PIONEER	PIONEER
14	VALLEY OAK	VLY OAK
15	WEST ELEMENTARY	WEST EL
16	WEST INTERMEDIATE	WEST INT
17	FAIRFIELD ELEMENTARY	FAIRFLD
18	ELEMENTARY SUPPORT	ELE. SUP
19	INSTRUCTIONAL MEDIA CENTER	I M C
20	SECONDARY INSTRUCTIONAL SERVICES	SEC INST
21	EMERSON JUNIOR HIGH	EMER J H
22	HOLMES JUNIOR HIGH	HOLMS JH
23	DAVIS SENIOR HIGH	DAVIS SH
24	KING HIGH	KING HI
25	SUMMER SCHOOL	SUMMR SC
26	SECONDARY SUPPORT	SEC. SUP
28	ADULT EDUCTION	ADULT ED
31	DISTRICT ADMINISTRATION	DIST ADM
32	CORPORATION YARD	CORP YD
33	CHILDREN'S CENTER	CHILD CT
34	PUPIL PERSONNEL	PUP PERS
36	FOOD SERVICE	FOOD SRV
37	ASSOC SUPT-INSTRUCTIONAL SERVICES	ASSC SUP
38	PERSONNEL	PERSNNEL
39	ALL DISTRICT	ALL DIST
40	CURRICULUM & INSTRUCTION SERVICES	C & I
98	CENTRAL KITCHEN	CNT KITC

Table 5

Primary Object Of Expenditure Classifications
(California School Accounting Manual)

1000	Certificated Salaries
1100	Teachers' Salaries
1200	School Admin.'s Salaries
1300	Supervisors' Salaries
1400	Librarians' Salaries
1500	Guidance, Welfare & Attendance Salaries
1600	Physical & Mental Health Salaries
1700	Superintendents' Salaries
1800	Administrative Personnel Salaries
1900	Other Certificated Salaries
2000	Classified Salaries
2100	Instructional Aides
2200	Classified Administrative Salaries
2300	Clerical and Other Office Salaries
2400	Maintenance & Operations Salaries
2500	Food Service Salaries
2600	Transportation Salaries
2900	Other Classified Salaries
3000	Employee Benefits
3100	State Teachers' Retirement System
3110	STRS-Teachers
3120	STRS-Other Than Teachers
3200	Public Employees' Ret.
3210	PERS-Instructional Aides
3220	PERS-Other Than Aides
3300	Social Security
3310	OASDHI-Instructional Aides
3320	OASDHI-Other Than Aides
3400	Health and Welfare Benefits
3410	O H & W Teachers and Aides
3420	H & W All Other Employees
3500	State Unemployment Ins.
3510	SUI-Teachers and Aides
3520	SUI-All Other Employees
3600	Workers' Compensation Ins.
3610	WCI-Teachers and Aides
3620	WCI-All Other Employees
3900	Other Benefits
4000	Books and Supplies
4100	Textbooks
4110	Textbooks (Gen. Pur. Funds)
4140	Textbooks (K-8 EC 60242)
4150	Textbooks (EC 60247)
4200	Books other than Textbooks
4210	Other Books
4240	Other Books (EC 60242)
4250	Other Books (EC 60247)
4300	Instructional Materials & Sup.
4500	Other Supplies
4600	Pupil Transportation Supplies
4700	Food Services Supplies
4710	Food
4790	Other Food Svc Supplies
5000	Services & Other Operating Expenditures
5100	Personal Svcs Instr Consults
5110	Personal Services
5140	Personal Svcs (EC 60242)
5200	Travel & Conferences
5300	Dues & Memberships
5400	Insurance
5440	Pupil Insurance
5450	Other Insurance
5500	Utilities & Housekeeping
5600	Rentals, Leases & Repairs
5700	Interdistrict & NPS Svcs
5800	Other Svcs & Operating Exp
6000	Capital Outlay
6100	Sites & Improvement of Sites
6200	Buildings & Impvmt of Bldgs
6300	Bks & Media for New Library
6400	Equipment
6500	Equipment Replacement
7000	Other Outgo
7100	Debt Service
7110	Pblc Schl Bldg Appnmnt
7120	State Schl Bldg Appnmnt
7130	Bond Redemption
7140	Bond Interest & Service
7150	Pmnt to State via Bonds
7160	Property from Original Dist
7190	Other Payments

(table continued on next page)

Table 5 *(continued)*

7200	Outgoing Tuition
7220	Interdist Attdc Agrmnt
7250	ROC/P
7260	ROC/P Capital Outlay
7270	Special Ed Master Plan Dist
7280	Special Ed Master Plan County Office
7290	Other Tuition
7300	Interfund Transfers
7310	Child Development Fund
7320	Special Reserve Fund
7330	Pblc/State School Bldg Fund
7340	Fm Bond Int & Redem Fund
7350	Deferred Maintenance Fund
7360	Cafeteria Fund
7390	Other Interfund Transfers
7400	Other Transfers
7410	Lapsed/Reorganized Dist
7440	Special Ed Master Plan Dist
7460	Special Ed Master Plan County Office
7490	All Other Transfers
7900	Approp. For Contingencies

Table 6

District Program Structure
(from the California School Accounting Manual)

INSTRUCTIONAL PROGRAMS

General Education
- Preformal
- Elementary
- Secondary
- Regional Occupational Program

Special Education
- Special Day Class
- Resource Specialist
- Designated Instruction and Services
- Nonpublic Schools
- Regionalized Services
- Transportation

SUPPORT SERVICE PROGRAMS

Special Projects
- School Improvement Program
- Gifted and Talented Education
- Miller-Unruh Basic Reading Act
- Vocational Education Act
- ECIA Chapter I
- Chapter II
- Economic Impact Aid
- Staff Development (AB 551)

Instructional Support
- Instructional Administration
- Instructional Media
- School Administration

Pupil Services

General Support
- District Administration
- Maintenance
- Operations
- Transportation

AUXILIARY PROGRAMS

- Community Services
- Fringe Benefits Paid on Behalf of Retired Persons
- Food Services
- Facilities Acquisition and Construction

Table 7

Oakland Unified School District 1985/86 Final Unit Budget Comparison

Enrollment Projection: 280 | **MAXWELL PARK** | **GENERAL FUND**

Description	1984/85 Adjusted Budget FTE	1984/85 Adjusted Budget Amount	1984/85 Expenditures June 30, 1985 FTE	1984/85 Expenditures June 30, 1985 Amount	Proposed 1985/86 Tentative Budget June 26, 1985 FTE	Proposed 1985/86 Tentative Budget June 26, 1985 Amount	Proposed 1985/86 Final Budget August 28, 1985 FTE	Proposed 1985/86 Final Budget August 28, 1985 Amount
General Purpose								
Certificated Salaries	11.96	305,946	12.00	305,295	10.80	285,995	10.80	285,995
Books, Supplies & Equipment		2,433		2,387		2,516		2,516
Contract Serv-Operating		300		647		315		315
Total GP Elementary Instruction	11.96	308,679	12.00	308,329	10.80	288,826	10.80	288,826
Certificated Salaries	1.00	34,700	1.00	37,199	1.00	38,390	1.00	38,390
Classified Salaries	1.00	12,554		2,486	1.00	13,638	1.00	13,638
Books, Supplies & Equipment		884		831		928		928
Total GP Elem. School Admin.	2.00	48,138	1.00	40,516	2.00	52,956	2.00	52,956
Books, Supplies & Equipment		100		90		105		105
Total GP Elem Pupil Services		100		90		105		105
Total General Purpose	13.96	356,917	13.00	348,935	12.80	341,887	12.80	341,887

(Table continued on next page)

Table 7 *(continued)*

Description	1984/85 Adjusted Budget FTE	1984/85 Adjusted Budget Amount	1984/85 Expenditures June 30, 1985 FTE	1984/85 Expenditures June 30, 1985 Amount	Proposed 1985/86 Tentative Budget June 26, 1985 FTE	Proposed 1985/86 Tentative Budget June 26, 1985 Amount	Proposed 1985/86 Final Budget August 28, 1985 FTE	Proposed 1985/86 Final Budget August 28, 1985 Amount
Federal Categorical								
Certificated Salaries	1.85	52,715	1.85	51,682	1.85	55,692	1.97	58,901
Classified Salaries	1.60	13,977	1.20	13,902	1.60	17,651	1.20	13,381
Employee Benefits		18,519		15,321		19,957		21,175
Books, Supplies & Equipment		10,738		10,627				43
Total ECIA Chapter I	3.45	95,949	3.05	91,532	3.45	93,500	3.17	93,500
Total Federal Categorical	3.45	95,949	3.05	91,532	3.45	93,500	3.17	93,500
State Categorical								
Certificated Salaries	.15	4,479	.15	4,307	.15	3,200	.03	941
Employee Benefits		1,219		1,109				263
Books, Supplies & Equipment		2,840		2,272				1,996
Total EIA/LEP	.15	8,538	.15	7,688	.15	3,200	.03	3,200
Total State Categorical	.15	8,538	.15	7,688	.15	3,200	.03	3,200
Total General Fund	17.56	461,404	16.20	448,155	16.40	438,587	16.00	438,587

Table 8

California School Districts Types Of Funds — Per State Reports (J-41)

GENERAL FUND — Primary fund for school district operations. Includes both restricted and unrestricted revenue. The financial support for the K-12 program.

BOND INTEREST & REDEMPTION FUND — (RESTRICTED). Property tax collections to pay bonded indebtedness.

BUILDING FUND — (QUASI-RESTRICTED). A capital improvement fund. Bond-issue receipts and sale-of-land receipts are deposited here. School construction, buses, etc., are examples of what may be purchased from these funds.

SPECIAL RESERVE — Retained for capital outlay and other purposes — may be restricted.

STATE SCHOOL LEASE PURCHASE FUND — (RESTRICTED). Similar to building fund. State and local funds are deposited in this fund.

CAFETERIA FUND — (RESTRICTED). Food service program including labor is accounted for from this fund.

CHILD DEVELOPMENT FUND — (RESTRICTED). District child development center program.

ADULT EDUCATION — (RESTRICTED). District adult education program.

OTHER — Likely to be used for self-insurance reserve.

DEFERRED MAINTENANCE — (RESTRICTED).

CAPITAL FACILITIES — (RESTRICTED). Developers' fees are deposited here and expended from this fund.

PUPIL TRANSPORTATION EQUIPMENT — (RESTRICTED).

Table 9

Positive Certification

Davis Joint Unified School District

As President of the governing board of the Davis Joint Unified School District, I certify that the Davis Joint Unified School District will be able to meet its financial obligations for the remainder of the fiscal year.

Susie Boyd
President of the Board

Date: _____

This certification and supporting reports required by AB 1366, Chapter 741, Statutes of 1985 was approved by the Board at its meeting on April 23, 1987.

Table 10

EXAMPLE:

Financial and Budget Report of
Lottery Income and Expenditures Within All Funds
(Pursuant to Budget Control Section 24.60 of the 1985 Budget Act)

Form No. J-L New (2/86), California State Department of Education

This is a composite report of lottery income and expenditures across all funds. Do not report interfund transfers on this form.

Name of reporting school district or county office of education: School District A

	1985-86 Actual (DOLLARS ONLY)	EDP No	1986-87 Budget (DOLLARS ONLY)
A. INCOME AND EXPENDITURES BY OBJECT			
Beginning Balance	XXXXXXXXXXX	223	$ 10,000
8695 Lottery Income	$ 100,000	499	110,000
8980 Tranfers from other Districts/ County Offices	5,000	659	
Total, Beginning Balance & Income	$ 105,000	675	$120,000
Lottery Expenditures*			
1000 Certificated Salaries	$ 40,000	702	
2000 Classified Salaries		720	
3000 Employee Benefits		746	
4000 Books and Supplies	33,000	802	
5000 Services and Other Operating Expenditures		834	
6000 Capital Outlay	12,000	858	120,000
7000 Other Outgo (Excluding 7490-Transfers to Other Districts/ County Offices and 7300-All Interfund Transfers)		950	
7490 Transfers to Other Districts/ County Offices	10,000	929	
TOTAL, EXPENDITURES	$ 95,000	980	$120,000
Lottery Ending Balance	$ 10,000	984	Ø

* This listing of categories does not imply that all items of expenditure which fall within these categories are appropriate uses of lottery revenues. It is intended to categorize the many appropriate expenditures into categories defined in the School Accounting Manual.

CHAPTER TWO

Budget Development

This section deals with the actual development of your district's budget and the role of the board in the budget development process. Since the board's role in budget development is to establish budget policy, this section points out those times during the budget process when policy should be established and provides hints and recommendations concerning budget policy development. The topics included are legal requirements for budget development, the budget calendar, budget guidelines, the budget advisory committee, the development of revenue and expenditure estimates, and the establishment of budget policy which ultimately will govern and guide the development of your district's budget.

Legal Requirements Governing Budget Development And Adoption

There are number of legislated mandates concerning the development and adoption of your district's budget — mandates which board members by law are required to follow. The most important of these is the requirement that your district adopt a tentative budget by June 30 and a final budget by Sept. 15. These deadlines cannot be changed by the board and *must* be met. The budget must be open to public inspection prior to adoption.

Table 11 lists the important legal requirements which must be met in the development and adoption of your district's budget.

The Budget Calendar

The budget calendar is critical in controlling the budget development process. This budget calendar should be adopted by the board well in advance of the beginning of the actual budget development process.

The budget calendar (see table 12) sets dates and deadlines for the performance of certain key tasks and establishes responsibility for those tasks. For example, the calendar may establish that the assistant superintendent for business is responsible for developing and presenting enrollment projections to the board on Jan. 30. By establishing this as a budget development item, it is quite clear who is responsible for this important task and establishes when it is due to be completed. The lack of a calendar may result in the task not being completed on schedule, with no one responsible.

The calendar also sets dates for important policy decisions. For example, the board may be scheduled to approve the level of the district's secondary program as part of the budget development calendar. The level of this program can be adjusted upward or downward depending on the district's finances and other considerations.

The calendar provides a road map or plan for the development of your district's budget. It lets the community, staff and employee groups know about the budget development process while making them aware of the complexity of the process.

A calendar also reduces a difficult and overwhelming job into achievable tasks. It provides a monitoring tool for everyone involved in the process. If the calendar is followed and the tasks accomplished, your district's budget development and adoption should be relatively smooth — provided that most agree with the process described by the calendar.

Unfortunately, the calendar in itself will not remove the strife and dissension sometimes associated with budget preparation and adoption. But the calendar will help focus attention on specific issues. Your board should adopt a comprehensive budget calendar annually.

Many districts have embraced the idea of citizen and parent involvement in the budget development process. Below are some thoughts, comments and ideas on the subject of citizen budget advice.

Budget Advisory Committees

Many districts have established budget advisory committees. These committees prepare a report to the superintendent and board concerning the budget. The report is usually presented at the time of budget adoption and contains recommendations about the current budget and possibly some thoughts about future budget planning. Because the business office provides staff to the committee, the committee report ultimately reflects the quality of the business office. The amount of time your business official puts into staffing the committee and the quality of those appointed to the committee will also be reflected in the report. The purpose of these committees are:

- To advise the board and the superintendent about community budget concerns.
- To educate citizens and make them knowledgeable about district finance and the district's budget.
- To establish community support and understanding of certain budgetary decisions which may be unpopular.

Budget advisory committees are very effective in educating the community about your district's financial affairs and in developing support for sound fiscal management. A disadvantage of such a committee is that it may become so influential as to usurp the role of the school board in budget and fiscal affairs.

If your district decides to have such a committee, the following recommendations are in order:

- The committee should be a "superintendent's committee." This will make the superintendent responsible for staffing the committee and prevent the committee from usurping the board's budget role. The committee will make its report through the superintendent to the board. This ensures that the superintendent is aware of the committee's recommendations.
- The committee should be balanced in favor of community members so that employee members are not in the majority. An employee majority on such a committee could easily become self serving.
- The board and the superintendent should establish guidelines for the committee so that its purpose and scope are clear to its members.

Once your board adopts a budget development calendar and determines the level of community involvement, the staff can begin the process of developing a district budget.

Budget Guidelines

Budget guidelines are a series of budget development policy statements that provide policy direction to district staff while the budget is being developed. These policy guidelines should be simple, clear and concise statements, such as "Establish a district general reserve of 3 percent of total revenue." The cost and other consequences of implementing the policy should be clearly known before the guidelines are adopted.

For example, a guideline might state that class size will be reduced by one child per classroom. Before this is adopted as policy, however, board members must know the consequences of the policy's implementation. In this example, the reduction of class size by one child per classroom would add an additional cost equaling 3 to 4 percent of total teacher salaries and benefits to the budget, as well as create demand for additional classroom space. The board should request a detailed analysis of the implications of such guidelines before they are adopted. As a board member you must be able to judge both the limits and constraints in setting budget guidelines so you do not over-commit your district's resources.

Budget guidelines inform your community, staff, employee groups and others about the board's budget and fiscal policy. The guidelines, in turn, will help the board set fiscal policy for negotiations. You can settle the perennial problem of dividing resources between salary increases and program by clearly and openly establishing your program commitments in the guidelines.

The guidelines will also serve as an agreement between you and your superintendent so that he or she, along with everyone else on the staff, fully understands your budgetary and fiscal policy. As with the budget calendar, guidelines will not eliminate arguments over the budget. But these guidelines can ease problems because they clearly state your policy concerning the allocation of resources within your district. When the board adopts its budget development calendar, a date should be set on the calendar for adopting budget guidelines. Table 13 presents a set of sample guidelines.

Estimating Next Year's Revenue

Most school finance experts recommend that the preparation of a financial forecast for the upcoming fiscal year (July 1 to June 30) take place in January of the preceding year. By January your

district will have six months of expenditure history and the general parameters of the state budget will be known to your staff. January is an excellent time to begin budget planning for the next fiscal year.

The first step in estimating revenue is for your business staff to estimate how much money — if any — will be left over from the current year's operations. As noted earlier, this projection requires a thorough review of current revenues and expenditures to date before an estimate of an ending balance can be completed. After the staff completes its estimate of the ending balance, an estimate of all revenue for the next fiscal year should then be prepared. This estimate can be undertaken most simply by applying the COLAs provided in the governor's proposed budget and making a projection of enrollment for the next year.

An enrollment projection is the most important type of planning any district can undertake. Such enrollment projections are used not only for determining the amount of funds entitled to a district, but also for determining classroom usage, the number of teachers required by the district, etc. All districts should make an enrollment projection each year for five future years. (See tables 14 and 15.) Average Daily Attendance (ADA), which is a derivative of enrollment, largely determines your district's income.

ADA is the number of days the students in your district are actually in their classes plus the number of excused absences granted, divided by the total number of school days.

$$\frac{\text{DAYS IN CLASS + EXCUSED ABSENCES}}{\text{TOTAL SCHOOL DAYS}} = \text{ADA}$$

OR:

1800 days of actual attendance and excused absences divided by 180 school days = 1000 ADA.

Since ADA does not include unexcused absences, ADA is always lower than enrollment. District staff will be able to estimate your district's ADA from projected enrollments by using historical information. For example, your district may have an historical ratio of ADA to enrollment of 98 percent. Once enrollment projections are completed, ADA can be estimated. Table 16 indicates how your ADA can be estimated once enrollment projections are completed.

After the ADA is determined, your staff can then estimate "revenue limit" revenue. The increase in the revenue limit over

the past year is determined by the "Cost of Living Adjustment" (COLA) granted by the state. The COLA for the district's largest revenue source, the revenue limit, is really not a COLA at all, but rather a flat dollar amount per ADA. The reason for the flat amount is to implement the *Serrano* decision. This works as follows: A flat dollar increase per ADA is a smaller percentage for high revenue limit (high wealth) districts than for low revenue limit (low wealth) districts.

Table 17 describes the revenue limit COLA in detail, with some historical perspective. The revenue limit is a formula written in state law which authorizes revenues based on the number of ADA served by your district. Total revenue limit per ADA multiplied by total ADA equals a district's total revenue limit. Table 18 provides a simplified example of just such a calculation.

The remainder of revenue calculations are usually estimated by the application of the COLA. There are two significant exceptions, however: Funding for special education and the state lottery.

Special education funding is determined by the number of children served and by what handicap they suffer. Each category of handicap is funded at a different level. For example, a school with a limited numer of students requiring speech therapy would receive a relatively small amount of funding. By contrast, a school with a large number of severely handicapped students who require full-time, specialized training would receive substantially more funding.

As for lottery income, this is much more difficult to estimate because it fluctuates so widely. As a result, it is best for your staff to be very conservative in estimating lottery income.

It should be noted that approximately 5% to 15% of revenue (depending on the district) is restricted or categorical. This revenue cannot be used to fund the basic K-12 program, but must be used for specific purposes.

Table 19 lists examples of these categorical and restricted revenues, as well as other unrestricted revenue sources.

When these calculations and estimates are complete, your district will have preliminary revenue estimates for the next fiscal year. As the budget process continues, through the adoption of the final budget, these preliminary revenue estimates should be continually updated and refined using the methods and informa-

tion described in this section. In this way, they will be as accurate as possible when you adopt the final budget.

Estimating Next Year's Expenses

Once your district staff has completed its revenue estimates for the next fiscal year, work should begin on developing an expense budget for the district. This task should begin with some preliminary estimates similar to what we have already seen in the revenue section.

The estimates begin with a determination of the built-in cost increases for which your district must plan. These built-in increases can be defined as "uncontrollable" within the short period of one fiscal year. Examples of some of these costs are listed below:

Liability/property insurance costs. Costs for liability and property insurance have increased sharply over the past few years. These costs are very likely to increase faster than inflation and should be estimated separately from other normal increases.

Health and welfare costs. Costs for health care, workers compensation and retirement have been increasing dramatically.

Salary schedule costs. Most employees are paid on a salary schedule with fixed incremental increases based on longevity and educational attainment. These costs must be borne even if district employees receive no salary adjustments.

Utility cost increases. The rate of increase of these costs has slowed significantly in recent years as energy prices have stabilized. Nevertheless, these costs cannot be easily controlled in a one-year time frame. They must be included in any estimate of "built-in cost" increases.

Enrollment increase costs. If your district is increasing in enrollment, new teachers and staff will be required to teach and serve these new children. The ADA and enrollment estimates discussed earlier will help in determining the extent of these costs.

Additional program costs. If your district has plans to increase programs or reduce class size, these costs should be estimated as part of this process.

Negotiated settlement costs. If your district has a multi-year contract with teachers or classified staff which provides for additional financial benefits in the upcoming fiscal year, an estimate of these costs should be included.

Maintenance of adequate reserves. Included in any estimates must be sufficient funds to maintain the district's reserves at the recommended 3 percent of recurring revenues, or $100,000, whichever is greater.

When these items have been estimated and are included with the preliminary revenue estimates, a preliminary financial projection for the next fiscal year can be prepared. An example of the projection is displayed in table 20. This projection will serve as a basis for planning the remainder of the budget process.

If the projection shows that unallocated funds are available after all costs and revenues are projected, the board can then begin to think about salary increases, program improvements — or both. If the projection shows a deficit, planning for the budget cuts must take place. It is important to prepare this projection in January so staff will have sufficient time to take the required personnel action. State law requires that teachers be notified by March 15 if they are to be laid-off for the next school year.

Building And Balancing The Final Budget

Once staff has completed the task of developing the preliminary revenue and expenditure estimates, it is possible to begin the task of building and balancing the budget. The most important step for the board in this part of the budget process is to follow the established budget guidelines or budget policy.

Formula-Based Budgeting

Budgets based on enrollment-driven formulas, such as number of students per teacher, are the best method for a fair allocation of resources and a strife-free budget process. As much of the budget allocation which can be formula-based should be distributed in this way. See table 21 as a sample. Your district's budget guidelines should refer to these enrollment-based formulas.

Upon establishing the formulas and guidelines, the preparation of the tentative budget can begin. This will require the involvement of the staff as well as the community.

Staff And Community Participation

The community and staff may participate in the budget development process in the way defined by the budget calendar, budget guidelines and guidelines for the budget advisory committee (if you have established one). The district's business

office should coordinate this process by distributing budget development materials to the schools and various departments, as well as budget information to community groups.

The internal budget development process (for various school departments and school sites) is formal and technical, leading to a finished budget document for presentation to the board of education. This process is sometimes known as "bottom up" budgeting. The reason: Various participants develop budget information at its lowest level, the school site, and pass it up the organizational chain of command, where it utlimately goes to the superintendent and the board.

The budget information is collected by the distribution of forms and computer printouts which are filled-out and returned to the business office. Such a process is extremely valuable. It allows for maximum participation and provides detailed budget information from each level of the organization, where the site manager or department head has specific knowledge of his or her school or program.

When the forms are returned, the business office should review them along with other materials for conformity to established board policy (budget guidelines). Those budgets from the various schools and departments within the district which meet board guidelines and funding priorities should become part of the superintendent's proposed budget. Those which do not are usually retained for possible later addition should funds become available.

The community budget advisory committee should participate in the budget process by receiving information about the district's financial condition and the budget. As the proposed budget becomes available, it can also be provided to the committee. Hopefully, the committee will become informed about the district budget and make recommendations to the superintendent and the board.

Both these processes should take place simultaneously. As the budget is prepared and finalized, district top management should review it carefully to ensure compliance with policy and financial constraints. When this review is complete, the budget can be printed and distributed to the board for its review.

The first budget the board receives is the tentative budget. This budget must be adopted prior to July 1 in order to provide appropriation spending authority for the new fiscal year.

The tentative budget is important because most well-run districts embody virtually all their fiscal and budgetary policy in the tentative budget. However, much revenue information may be unknown because the state budget may not yet be adopted and the amount of the ending balance is not yet calculated. Additional revenue may allow "add-ons," but will generally not change the basic budget policy. In other words, the tentative budget is extremely important.

Board Review And Adoption Of The Budget

The board should review both the tentative and final budgets with equal care. Although the word "tentative" is attached to the first budget the board receives in June, the tentative budget is important. The final budget due in September with more complete income information should be reviewed in the same manner. The key points a board member should review are as follows:

- Is the budget balanced?
- Does the budget conform to the guidelines established by the board?
- Are the reserve levels correct as stated in the guidelines?
- Is the estimated ADA displayed in the budget?
- Is the budget arranged in columns so that this year's budget can be compared to previous year's expenditures and budget? (See table 22.)
- Are the negotiated salary settlements included in the salary line items or as part of the reserves? If a settlement is still pending, are there sufficient funds in reserve to fund your bottom line for salary improvements?
- Is there a letter of transmittal from the superintendent to the board explaining key policy points in the budget?

After board members have satisfied themselves that the budget is balanced and conforms to the stated guidelines, the budget should be adopted. If board members have changes they wish the staff to make to the budget, staff should be directed to make those changes. A word of caution here: The board should not attempt to change the budget at the board table. This will only lead to trouble with the staff and the community.

Adoption of the budget ends the expenditure planning process and commences the budget implementation process.

Summary

Budget Development. The State of California sets legal requirements for the adoption of school district budgets. The most important requirement is that the tentative budget must be adopted by June 30 and the final budget by Sept. 15. It is important that the board establish a budget development calendar and develop a process for accommodating community and staff input on the budget.

Revenue Estimates. Revenues for school districts are primarily derived from funds provided for each unit of average daily attendance from the state general fund and local property taxes. Other sources of revenue are lottery funds and state and federal categorical program funds. The amounts of these funds to be received are estimated at the beginning of each budget year.

Expenditure Estimates. Expenditure estimates are made each budget year based on a number of factors, including salary and benefit levels, numbers of employees and cost of living increases. Formulas based on numbers of students are frequently used to make expenditure estimates and ensure equity of resource distribution between schools in the district.

Budget Guidelines. The board should adopt a set of guidelines for the budget each year which include formula allocations, reserve levels, and other key budget policies.

Review and Adoption of the Budget. The board should review the budget before adoption to ensure that the budget conforms to the board's budget policy set forth in its guidelines. All budget changes should be referred to staff and not be made at the board table.

Table 11

Basic Legal Requirements Governing Budget Development

1. On or before July 1, the district shall file a tentative budget (signed by clerk or secretary of the board) with the county superintendent and state the date, time and place of the public hearing.

2. On or before August 1, the county superintendent:

   a) shall examine and make technical corrections to the budget.

   b) shall make recommendations to ensure the budget is realistic.

   c) may accept changes in time of public hearing.

3. County superintendent or auditor shall compute tax to be levied by August 15 to be submitted to board of supervisors by September 1.

4. Proposed budget must be available for public inspection prior to adoption. (EC 42103)

5. Board shall hold a public hearing prior to adoption of the budget. Final budget cannot be adopted until public hearing is held. (EC 42103)

6. County superintendent must publish as least ten days prior to the hearing a notice of date and location where proposed budget may be inspected and the date, time and place of public hearing on the budget. (EC 42103)

7. On or before September 15, the board shall adopt a final budget and file it with the county superintendent. (ED 42103)

8. On or before September 15, the board shall prepare for public inspection a statement of the prior year's income and expenditures and an estimate of the current year's expenditures. (EC 42100)

9. The county superintendent shall approve the budget and file copies with the board of supervisors, county auditor and state superintendent by September 15. (EC 42127[e])

Table 12

Calendar of Important Events
1987-88 Budget Development Process

November 20, 1986	Board approval of 87-88 Budget Development Calendar
	1st Quarter Financial Report/Preliminary Financial Projection 1987-88
November 24	Cabinet review of General Fund programs/expenditures -possible cuts
January 22, 1987	Presentation of 87-88 estimated income, expenditures & enrollments
	Administration recommendations regarding possible program adjustments for 87-88
	Board designation of secondary schools' program for 87-88
February 5	Board approval of possible program adjustments for 87-88
	Resolution Reducing/Discontinuing Particular Kinds of Services (if needed)
February 19	Board approval of 87-88 Budget Guidelines
	Notice of Recommendation that Services Will Not Be Required (if needed)
March 5	Notice of Intent to Reduce Services (if needed)
	Adoption of Order to Layoff Certificated Employees (if needed)
March 19	Distribute Budget Worksheets to Site/Program Administrators
April 2	Notice of Intent to Reduce Classified Services (if needed)
	Update Projected Enrollments & ADA 87-88
April 9	Budget Worksheets due in the Business Office
April 16	Program/Staff Reductions for 87-88 (if needed)
May 7	Final notice of layoff (may be negotiated for a later date —certificated only)
May 21	Adoption of Order to Layoff Classified Employees (if needed)
June 4	Presentation and review of 87-88 Tentative Budgets (all funds)
June 18	Public Hearing/Adoption of Tentative Budgets
August 20	Final Budget Completed
September 3	Public Hearing/Adoption of all 87-88 Fund Budgets

Table 13

Guidelines for the 1987-88 Budget
Davis Joint Unified School District

The Board of Education reaffirms its belief that salaries and employee benefits for all staff members must be competitive and provide incentives to continue to hire and retain qualified people.

Since public education is a service industry, employee compensation is the largest single expense category in the budget. It should be understood that since the State of California controls the amount of revenue available, financial constraints may preclude the Board from meeting all of its goals.

1. Ongoing expenditures shall be balanced to recurring revenue. The Board may designate the one-time expenditure of non-recurring revenues.
2. School programs will be continued in the same manner as they were in the 86-87 school year with the exception of the programs reduced or eliminated by Board action on March 5, 1987.
3. School site lump sum allocation is for operational expenditures, excluding regular employees' salaries and benefits. For 1987-88 these will be:

Elementary Schools	$35.79 per enrollment
Emerson and Holmes	$55.18 per 7th & 8th grade enrollment
	$70.59 per 9th grade enrollment
Davis Senior High	$70.59 per enrollment
King High School	$80.07 per enrollment

4. Allow the carryover of lump sum school site budget balance (plus/minus) from 1986-87 into 1987-88.
5. Include employee benefit costs with each program, including fringe package costs as negotiated.
6. Include uncontrolled and/or state-mandated program costs in the budget. These would include but not be limited to: a) utilities; b) insurance; c) mandated programs, such as immunization, employee retirement programs, unemployment insurance, workers' compensation, and collective bargaining.
7. Require written justification/requests, if any, for: a) equipment replacement items; b) capital outlay items; c) consultant contracts (over $500); and d) service contracts.
8. Establish a contingency reserve of 3/4 of 1 percent of income to mitigate emergency expense and potential revenue shortfalls. Maintain a General Reserve of $50,000.
9. Include 3.0 unassigned teacher FTE's to be used at the Superintendent's discretion in dealing with unbalanced enrollment, combination classes, and actual enrollment exceeding projections.
10. Operate categorically-funded programs and programs funded outside the General Fund, such as Food Service, within their income including all direct and indirect costs.
11. Permit budget unit managers to reallocate within non-salary categories.
12. School site staffing will be in accordance with district staffing standards.

Table 14

Enrollment Projection

DISTRICT TOTAL

LEVEL	1981-82	1982-83	CHANGE	1983-84	CHANGE	1984-85	CHANGE	1985-86	CHANGE	1986-87	CHANGE	3-YR WTD AVG CHNG	1987-88	1988-89	1989-90	1990-91	1991-92
K	371	353	N/A	393	N/A	409	N/A	405	N/A	425	N/A	N/A	430	438	446	454	461
1	376	374	1.01	353	1.00	409	1.04	432	1.06	458	1.13	1.09	463	469	477	486	495
2	305	373	0.99	346	0.93	355	1.01	400	0.98	408	0.94	0.97	444	449	455	463	471
3	391	326	1.07	368	0.99	354	1.02	361	1.02	415	1.04	1.03	420	457	462	469	477
4	363	401	1.03	320	0.98	366	0.99	362	1.02	372	1.03	1.02	423	428	466	471	478
5	355	343	0.94	396	0.99	330	1.03	368	1.01	368	1.02	1.02	379	431	437	475	480
6	395	378	1.06	345	1.01	386	0.97	341	1.03	396	1.08	1.05	386	398	453	459	499
SP ED (incl above)	39	42	N/A	28	N/A	30	N/A	32	N/A	27	N/A	N/A	27	27	27	27	27
K-6 SUM	2556	2548	1.02	2521	0.98	2609	1.01	2669	1.02	2842	1.04	1.03	2945	3070	3196	3277	3361
7	421	409	1.04	390	1.03	389	1.13	401	1.04	366	1.07	1.07	424	413	426	485	491
8	383	431	1.02	421	1.03	394	1.01	384	0.99	398	0.99	0.99	362	420	409	422	480
9	422	388	1.01	434	1.01	428	1.02	405	1.03	369	0.96	0.99	394	358	416	405	418
SP ED (incl above)	12	12	N/A	15	N/A	18	N/A	15	N/A	13	N/A	N/A	13	13	13	13	13
7-9 SUM	1226	1228	1.02	1245	1.02	1211	1.05	1190	1.02	1133	1.01	1.02	1193	1204	1264	1325	1402
10	429	465	1.10	402	1.04	454	1.05	460	1.07	408	1.01	1.04	384	410	372	433	421
11	448	444	1.03	452	0.97	419	1.04	454	1.00	464	1.01	1.01	412	388	414	376	437
12	492	464	1.04	440	0.99	467	1.03	432	1.03	450	0.99	1.01	469	416	392	418	380
CONT HS (incl above)																	
SP ED (incl above)	0	0	N/A	0	N/A	9	N/A	11	N/A	12	N/A	N/A	12	12	12	12	12
10-12 SUM	1369	1373	1.06	1294	1.00	1340	1.04	1346	1.03	1322	1.00	1.02	1277	1226	1190	1239	1250
K-12	5151	5149	1.03	5060	1.00	5160	1.03	5205	1.02	5297	1.02	1.02	5415	5500	5650	5841	6013

Table 15

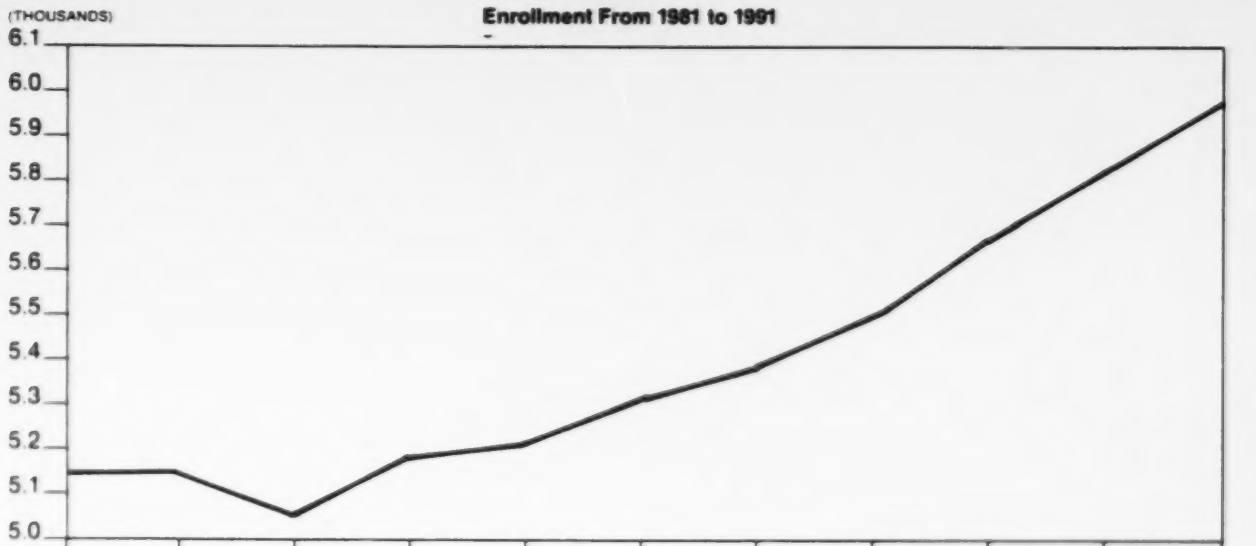

(THOUSANDS)
Enrollment From 1981 to 1991
6.1
6.0
5.9
5.8
5.7
5.6
5.5
5.4
5.3
5.2
5.1
5.0
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
ENROLLMENT

Table 16

Estimated 85-86 Enrollment/ADA

Grade Span	Estimated October Enrollment	Attendance Ratio (%)	Estimated Second Period ADA
K	394	95.1	375
1-3	1181	96.4	1138
4-6	1068	96.9	1035
7-8	792	97.8	775
9-12	1663	96.7	1608
King	65	79.3	52
Special Education - Elementary	31	96.5	30
Special Education - Secondary	26	100.0	36
Sepecial Education - Extended Day			3*
Home Instruction			1
Total K-12 Revenue Limit ADA	**5220**		**5043**

* *Summer Program for Special Education*

Table 17

Cost Of Living Adjustment

Year	1983-4	1984-5	1985-6	1986-7	(Proposed) 1987-8
COLA %	0.51	6.02	6.11	5.49	1.1

The COLA for a particular district is not a percent increase. It is a flat dollar amount per ADA.

The 1986-7 Flat Rate Adjustments Provided By Type Of District

Elementary	$125
High School	$154
Unified	$132

The results of these adjustments are to reduce the percentage of growth of the revenue limit if the district exceeds the statewide average and increase it if the revenue limit is below the statewide average.

Revenue Limit Averages 1985-6

ELEMENTARY	AMOUNT
<101 ADA	$2,856
>101 ADA	$2,204
HIGH SCHOOL	
<301 ADA	$3,154
>301 ADA	$2,729
UNIFIED	
<1501 ADA	$2,525
>1501 ADA	$2,344

Table 18

California School Districts
Revenue Limit

Revenue limit is a formula in state law which authorizes revenues based on the number of ADA in a school district.

Total Revenue Limit per ADA times Total ADA equals Total Revenue Limit.

Revenue Limit Calculations (Simplified)

Prior Year Base Revenue Limit Per ADA	$ 2,196
Add:	
Equalization Aid Per ADA	10
Cost of Living Adjustment Per ADA	137
Total Base Revenue Limit	2343
Multiply by Current or Prior Year ADA	10,000
Total	$23,430,000
Add Reform Entitlement:	
Longer Day @ $20 for Elementary (K-8) ADA	120,000
Longer Day @ $40 for Secondary (9-12) ADA	160,000
Total Revenue Limit	$23,710,000
Less: Property Tax Income	5,550,000
Final State Aid Entitlement	$18,160,000

Source: School Services of California

Table 19

Revenue Sources Other Than Revenue Limit

EXAMPLES

Unrestricted Sources

Urban Impact Aid

PL-874 Aid

Interest Earnings

Restricted Sources

Special Education Master Plan*

School Improvement Program

Chapter I

Grants In Aid

**Not as restricted as most categorical program funds.*

Table 20

Davis Joint Unified School District
Projected Ending Balance June 30, 1987 & June 30, 1988*
5 March 1987

Description	Actuals 85-6	Budget 86-7	Projected 86-7	Projected 87-88
		INCOME		
Beginning Balance	$960,047	$1,131,899	$1,131,899	$735,080
Federal Income	311,521	341,430	341,430	293,185
State Income	9,791,459	9,745,038	9,763,538	10,044,754
Local Income	5,759,143	6,545,266	6,545,266	6,468,509
TOTAL	$16,822,170	$17,763,633	$17,782,133	$17,541,529
		EXPENSE		
Certificated Salary	$8,798,000	$9,594,921	$9,546,946	$9,835,685
Classified Salary	2,512,901	2,744,814	2,731,090	2,769,946
Benefits	2,122,684	2,305,544	2,294,016	2,351,310
Books/Supplies	650,735	773,711	774,000	712,853
Contracts	1,142,192	1,342,353	1,342,000	1,367,180
Equipment	325,311	267,174	267,000	250,216
Other	138,448	92,102	92,000	92,000
TOTAL	$15,690,271	$17,120,619	$17,047,053	$17,379,190
ENDING BALANCE	1,131,899	643,014	735,080	162,339
GRAND TOTAL	$16,822,170	$17,763,633	$17,782,133	$17,541,529
Budget Reductions				
Amount of expense in excess of recurring revenues				($572,742)

Restricted and Unrestricted Funds

Ending Balance Analysis

	1985-6 ACTUAL	1986-7 BUDGET	1986-7 PROJ	1987-8 PROJ.	1987-8 PROJ. CUTS INC.
Restricted	$219,390	$83,966	$150,000	$150,000	$150,000
General Reserve	50,000	50,000	50,000	50,000	50,000
Revolv. Fund	20,000	20,000	20,000	20,000	20,000
3/4 1% Reserve	118,966	124,738	124,877	126,048	126,048
TOTAL RESERVES	188,966	194,738	194,877	196,048	196,048
Lottery	306,971	412,228	284,965	284,965	284,965
Descretionary	416,572	(47,918)	105,239	$468,675)	(60,392)
TOTAL AVAILABLE	723,543	364,310	390,204	(183,710)	224,573
TOTAL END BAL	$1,131,899	$643,014	$735,080	$162,339	$570,622

Table 21

Final Budget
General Purpose School Site Allocation Formulas For 1985-86
SBE (Supplies, Books & Equipment) and Certificated

	Elementary	Middle	Junior	Senior
SBE Allocation	1:$13.37	1:$24.26	1:$24.26	1:$30.36
Teachers	1:25.5 (K) 1:29 (1-6)	1:27	1:28.3	1:28.7
Principals*	1	1	1	1
Assistant Principals				
0-500		1	1	
500+		2	2	
700+	1			
All				2
Deans - All	0	0	0	1
Librarians - All	0	50	1	1
Counselors - All		1:325 +	1:325 +	1:325 +

** Because of proximity and/or low enrollment, 15 elementary schools and 1 middle school share a principal with another school.*

Table 22

XYZ Unified School District
1987-88 Budget

Description	Actuals 85-6	Actuals 86-7	Tentative Budget 87-8	Final Budget 87-88
		INCOME		
Beginning Balance	$960,047	$1,131,899	$867,073	$813,367
Federal Income	311,521	193,584	193,584	199,392
State Income	9,791,459	9,694,171	9,616,491	10,121,341
Local Income	5,759,143	6,438,592	6,438,592	6,494,879
TOTAL	$16,822,170	$17,458,246	$17,115,740	$17,628,979
		EXPENSE		
Certificated Salary	$8,798,000	$9,384,126	$9,410,000	$9,698,059
Classified Salary	2,512,901	2,741,653	2,749,373	2,789,514
Benefits	2,122,684	2,276,962	2,277,000	2,333,925
Books/Supplies	650,735	768,470	768,000	783,360
Contracts	1,142,192	1,121,832	800,000	888,895
Equipment	325,311	207,978	208,000	212,160
Other	138,448	90,152	90,000	92,700
TOTAL	$15,690,271	$16,591,173	$16,302,373	$16,798,612
ENDING BALANCE	1,131,899	867,073	813,367	830,366
GRAND TOTAL	$16,822,170	$17,458,246	$17,115,740	$17,628,979

CHAPTER THREE

Budget Performance

This chapter deals with ways and methods of measuring the performance of your district's expenditure plans. It includes another look at the "ending balance estimate report," as well as position control and the annual audit. Board members who wish to measure their district's financial performance and learn about controlling their budgets will find the information in this chapter of particular interest.

Financial Reporting

The financial report described in Chapter I can be used to measure budget performance, just as it can be used to measure the financial condition of your district. Table 3 provides a sample of one such report.

Board members can review the accuracy of their district's spending plan by reviewing this report. Of course, a review of the projected ending balance is important, as noted in Chapter Ome. By comparing the four columns in the report, board members can measure the performance of the budget in terms of forecasting accuracy and budget control.

The adopted budget column is the spending plan approved by the board upon budget adoption in September. The second column is the current spending plan. Significant differences between the numbers in the columns should be explained by staff. Usually, the line items in the operating budget column will be greater than those in the adopted budget column.

Generally, there are excellent reasons for these differences. They include such things as salary settlements approved after

budget adoption, late notification of a grant approval and enrollment changes which require the hiring of additional teachers. Any significant differences between the two columns which are not clearly explained and which appear to diminish the ending balance below the level set by the board should be addressed immediately with staff.

Once you are satisfied with the operating budget, the actual "to-date" columns and the "projected" columns should be compared with the operating budget to determine if there are any significant differences. If there are, questions should promptly be asked about them. In general, the operating budget should be fairly close to the projection. As a result, if the projection shows significant differences with the operating budget, especially in the area of expenditures, board members should start asking serious questions.

Such a discrepancy may indicate the lack of budget control and lead to an erosion of district reserves. It may also mean that your district's budgeting process needs work, or that budget revisions are being processed slowly. Thus, the operating budget is not reflective of the current status of actual spending. The report in table 3 is quite useful and can pinpoint financial problems, as well as procedural or administrative problems, for the board.

The report should be provided at least quarterly and should be carefully reviewed by the board.

Position Control

Many districts experience financial trouble because personnel are hired for whom there is no budget. This generally occurs when the personnel office thinks that they know the personnel requirements of the district — but have no hard budget data as a guide. Such troubles can be prevented by establishing a list of board authorized positions, ranging from custodian to superintendent.

In larger districts (those over 5,000), an automatic "position control system" is usually established by tying the budget system to the payroll by means of data processing. In an automatic position control system, personnel simply cannot be paid unless they are placed in a board-authorized position.

Sample Position Control Report

Program	Site	Object Code	FTE	Name
		Budget		
Chapter I	Smith Sch	Teacher's Salary		
430	101	1101	2.0	
		Actual		
430	101	1101	1.0	Jones, P.
430	101	1101	1.0	VACANT
Total Positions Filled			1.0	
Total To Be Filled			1.0	
Total Positions			2.0	

In this example, one new Chapter I teacher is required at Smith School. If two teachers were hired for the same position, the report would be as follows:

Sample Position Control Report

Program	Site	Object Code	FTE	Name
		Budget		
Chapter I	Smith Sch	Teacher's Salary		
430	101	1101	2.0	
		Actual		
430	101	1101	1.0	Jones, P.
430	101	1101	1.0	Gardner, J.
430	101	1101	1.0	Warner, F.
Total Positions Filled			2.0	
Total Positions Overstaffed			1.0	
Total Positions			2.0	

This type of report is vital for a district where it is difficult for the personnel director or chief fiscal officer to know everyone or every position in the district. It provides checks and balances between the personnel and business offices.

The Annual Audit

The State of California requires an annual audit of the district's financial affairs. The audit must be performed by a CPA (Certified Public Accountant) firm. The audit takes place after the end of the fiscal year, although some preliminary work on attendance accounting is completed before the end of the fiscal year. The audit report is required to be submitted to the Department of Education in Sacramento in November of each year. The purpose of the audit is to ensure that the financial information and reports of the district fairly represent the actual financial condition of the district.

A district can receive three types of auditor's opinions:

Unqualified opinion: This opinion means that there are no significant accounting problems in the district.

Qualified opinion: This opinion may mean that the district has a problem with its financial record keeping. The most common problem in California which causes districts to receive a qualified opinion is the lack of fixed assets (buildings and equipment) records. A lack of these records does not necessarily reduce the credibility of other accounting records, but they can create problems should a district sustain a serious loss such as a major fire.

No opinion: This means that the district's accounting records are in such poor condition that the auditor cannot render an opinion. Such an opinion means that the district cannot be certain of its financial condition and may in fact have serious financial problems.

Auditors also make management comments and recommendations. These should be heeded and recommended changes implemented by the staff as soon as possible. Staff members should report their concurrence or non-concurrence with the recommendations as part of the auditors report to the board the following November.

Board members should ask their superintendent for progress reports on these recommendations. After all, the audit report is for the board. Board members should use the report to evaluate the business and financial operations of the district and to help make improvements.

Summary

Financial Reporting. Financial reports will aid board members in evaluating the implementation and accuracy of their budget. Comparing columns of the report as shown in in table 3 (page 16) will aid board members in evaluatiing their budget.

Position Control. Lack of position control may cause medium and large districts to lose control of their budgets. Districts with more than 5,000 students should have a position control system.

The Annual Audit. CPA firms perform the district's annual financial audit. *This is required by law.* Districts may receive an unqualified audit opinion, a qualified opinion or no opinion. Board members should heed the auditor's management comments and recommendations.

CHAPTER FOUR

Is My District Financially Sound?

This chapter will discuss various ways you can measure your district's financial health. It will also pose questions about the soundness of your district's finances. Finally, you will be provided with some ways to get help for your district — should the need arise.

A Simple Measure Of Your District's Financial Health

(Refer to table 3, page 16).

1. Take last year's "actuals" (actual expenditures) and compare the beginning balance with the ending balance. Was the beginning balance greater than the ending balance? If so, your district was "deficit spending" — spending more than the revenue you received. If this was not planned or explained to you at the beginning of the fiscal year, you should ask your superintendent for an explanation. "Deficit spending" could be a warning of future financial problems.

2. Divide last year's unrestricted ending balance by last year's total expenditures. What is your unrestricted ending balance as a percentage of total expenditures? Is the percentage at least 3 percent, or $100,000, whichever is greater?

3. Using the current year budget, make the same test as in measurement 1. Are you planning to spend more than your revenue? If so, and you are not aware of the reason, ask your superintendent to explain why. Table 23 graphically indicates over a period of years the percentages of unrestricted ending

balances to total expenditures of a district. This trend analysis can be used to forecast potential financail trouble in a district.

Some Questions To Ask Yourself About Your District's Finances:

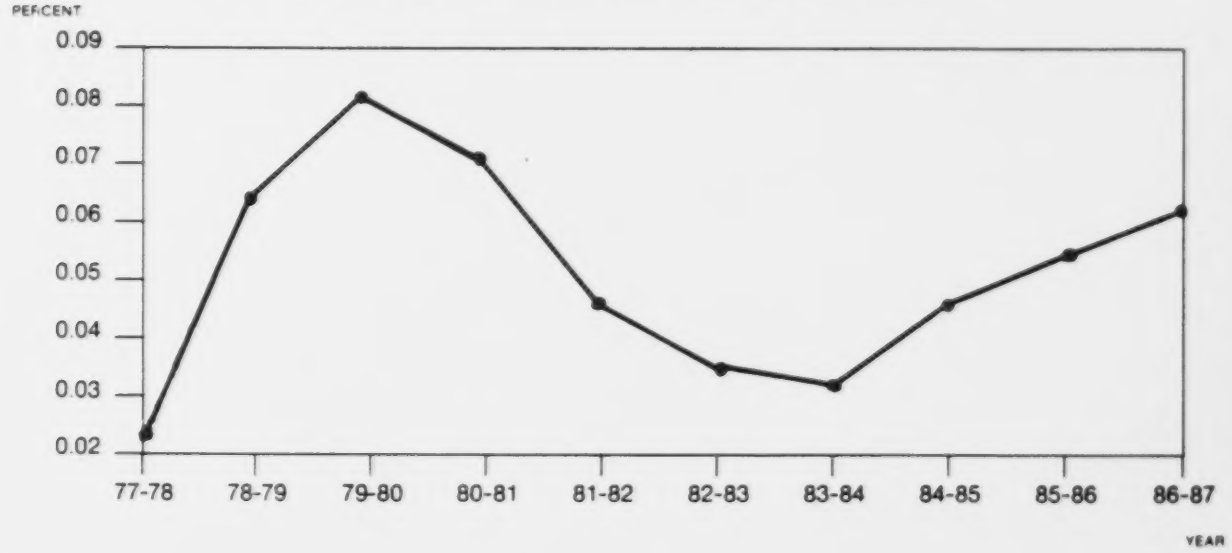
- Are employee benefits capped?
- Are you subsidizing categorical programs?
- Does your Child Development Program require subsidies?
- Are your schools full or near capacity?
- Have your bond ratings been downgraded recently?
- Do you have multi-year salary increases in your bargaining unit contracts? If so, do you have contingency clauses?
- Have you received a qualified audit opinion?
- Are there outstanding lawsuits which can adversely affect the district's financial condition?
- Do actual expenses frequently exceed the budget or are revenues overstated?
- Do you have position control if you are from a unified district with more than 5,000 students?
- Do you have a capital outlay plan?
- Do you have clear budget guidelines?
- Do you implement your auditor's recommendations?
- Do you have a budget calendar?

Where Do I Go For Help?

- Start with your superintendent. Ask him or her your questions. He will probably arrange for a meeting with you and your business official.
- If you would like further information, ask your superintendent for a meeting with the county superintendent and the county's chief business official.
- The district's CPA firm can be of help. Don't hesitate to call the firm for assistance. Let your superintendent know you are in contact with the CPA firm.
- The Department of Education offers assistance through their management assistance team. A request to the department from the superintendent and board can bring their expertise to your district.
- CSBA can offer advice to school boards on financial issues.
- Outside consultants are available, including a CPA firms' own consultants or school oriented financial consultants such as School Services of California.

Table 23

Analysis Of Unrestricted Beginning Balance To Total Expense



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CHAPTER FIVE

Small School Districts

Half the school districts in California have 2,500 students or less. But these 500 school districts must follow the same laws and procedures as much larger districts in managing their finances. In addition, the principles of budgeting and financial management apply to both large and small districts.

While the previous chapters in this book are intended for districts of all sizes, this chapter provides special insights for board members in smaller districts. Ensuring financial soundness in a small school district presents unique problems and unique opportunities.

Frequently, small districts do not employ the same number and types of business staff as do large districts. Superintendent turnover is also generally higher in small districts because they are seen as stepping stones to larger districts. The challenge to smaller districts is to develop quality fiscal information and make solid fiscal decisions without the more specialized staff available to large districts.

Staff Available To Small School Districts

Small districts are often dependent on county offices of education for expertise in financial affairs. Indeed, it is the county business office which usually prepares many of the reports described in earlier chapters. Nevertheless, the board ultimately must make the same judgments about the information as board members from large districts.

Effective communications with the county business office is essential. County business office staff are available to attend board meetings, or at least meet with board members and your superintendent to discuss fiscal matters. Every effort should be made by the district to develop rapport with the county staff and to communicate problems to the county superintendent or business officer.

How To Get Good Financial Information

Unfortunately, small districts must use the same financial system as larger districts. Thus, board members in smaller districts must insist on the same financial reports as those prepared in larger districts. Board members should request the report depicted on page 15 in table 2 (now required by law) as a basis for all financial decision making. This report should have the same level of detail as shown and the assumptions should be clearly stated.

Budget Development

A budget development calendar should be adopted early in the budget development process. The sample calendar shown in table 24 is based on once-a-month board meetings and indicates whether the county or the district prepares the information required for each event. The sample budget calendar suggests the adoption of budget guidelines which are essential to sound financial decision making. The guidelines shown in table 13 (page 40) can be modified and used by smaller districts.

County staff can be of help in preparing these guidelines. Note that reserve levels are extremely important to small districts. These guidelines should clearly state the reserve policy of the district. In no case should your reserves be less than 3 percent of your district budget, or $100,000, whichever is the greater. These reserves are critically important because a small error in a large district can be a huge error in a small district.

The county business office should aid your district in the preparation of a projection for the next fiscal year to begin budget planning. The projection can be simple but should include ADA and a projected ending balance for the next fiscal year (refer to pages 30-34).

Once the projection is complete, the board can begin planning for next year's budget with district and county staff. Required budget cuts can be determined, including layoffs. If the news is

good, planning for program growth can proceed.

As noted in the calendar, the tentative budget must be adopted prior to July 1 and the final budget prior to Sept. 15. County staff can assist you in preparing these documents.

Budget Performance

Board members in small school districts must be vigilant about the performance of their budget. In this effort, the county should provide regular financial reports.

An annual audit is required and board members should heed the audit recommendations. If the district is experiencing financial problems, board members should ask the county office for assistance (see Chapter Four for guidance on this issue).

County Staff

Despite this reliance on the county office of education, small district boards are as responsible for making difficult financial decisions as board members of larger districts. But because county staff will not take responsibility for making decisions about financial difficulties a small district may experience, the board must assure itself that it is receiving proper assistance.

Summary

Small districts must manage their financial affairs as competently as larger districts. Because they are often dependent on county office business staff, small district board members must establish a good rapport with the county to ensure the best financial information and assistance possible.

A budget calendar is essential for good budget development. Establishment of adequate reserves are extremely important to small districts. Board members should pay close attention to their auditor's recommendations and ensure they are implemented.

Keep in mind that help is available from the county office of education. Board members should by all means tap this help whenever necessary.

Table 24

Small School District
Calendar of Important Events — Budget Development Process

Date	Event	Responsible Agency
November	Board approval of 87-88 Budget Development Calendar	District
	1st Quarter Financial Report/Preliminary Financial Projection 1987-88	County
January	Presentation of 87-88 estimated income, expenditures & enrollments	County
February	Board approval of 87-88 Budget Guidelines	District
	Recommendations regarding program adjustments for 87-88	District
March	Board approval of program adjustments for 87-88	District
	Resolution Reducing/Discontinuing Particular Kinds of Services (if needed)	District (counsel)
	Adoption of Order to Layoff Certificated Employees (if needed)	District (counsel)
April	Notice of Intent to Reduce Classified Services (if needed)	District (counsel)
	Update Projected Enrollments & ADA 87-88	County
May	Adoption of Order to Layoff Classified Employees (if needed)	District
June	Public Hearing, Adoption of Tentative Budget	District
August	Review of Final Budget	District
September (before 9/15)	Public Hearing/Adoption of 87-88 Budget	District

Glossary of Selected School Budget Terms

Accounts Payable: Amounts due and owed to private persons, business firms, governmental units, or others for goods received and services rendered prior to the end of the fiscal year. Includes amounts billed but not paid.

Accounts Receivable: Amounts due and owed the district from private persons, business firms, governmental units, or others for goods or services provided by the district prior to the end of the fiscal year. Includes amounts billed but not received.

Apportionment: Allocation of state or federal aid, district taxes, or other monies among school districts or other governmental units.

Appropriation: An allocation of budgetary funds made by the governing board for specific purposes and limited as to the time when they may be expended.

Appropriation For Contingencies: That portion of the current fiscal year's budget that is not appropriated for any specific purpose but is held subject to intrabudget transfer; i.e. transfer to other specific appropriation accounts as needed during the fiscal year.

Assessed Valuation: Value placed upon personal and real property by a governmental unit for taxation purposes.

Audit: An examination of records, and accounts for the purpose of 1) determining the propriety of transactions; 2) ascertaining whether all transactions are recorded properly; and, 3) determining whether statements drawn from accounts reflect an accurate picture of financial operations and financial status.

Average Daily Attendance (ADA): Total approved days of attendance in the school district divided by the number of days the schools in the district are in session for at least the required minimum day. (Education Code 46300 and California Administrative Code, Title 5, 400-424)

Bond: A certificate containing a written promise to pay a specified sum of money, called the face value, at a fixed time in the future, called the date of maturity, and specifying interest at a fixed rate, usually payable periodically.

Bond Interest and Redemption Fund: A fund established to pay bond interest and liquidate indebtedness when due and payable.

Bonded Debt: That portion of indebtedness represented by outstanding bonds.

Bonded Debt Service: Expenses incurred for interest and redemption of bonds.

Budget: A plan of financial operation consisting of an estimate of proposed income and expenditures for a given period and purpose.

Budget Document: The instrument used by the budget-making authority to present a comprehensive financial program. It includes a balanced statement of revenues and expenditures as well as other exhibits to report 1) the financial condition of the several funds of the district at the end of the preceding completed fiscal period; 2) the estimated condition of the funds at the end of the fiscal period in progress; and 3) the estimated condition of the funds at the close of the ensuing fiscal period based on the financial proposals contained in the budget document.

Budgeting: The process of allocating the available resources of an organization among potential activities to achieve the objectives of the organization; planning for the use of resources.

Building Fund: A fund established to control the income and expenditures related to the purchase and maintenance of school buildings, sites, and equipment.

Cafeteria Account: Receipts and disbursements of the cafeteria function that are processed through a bank.

Cafeteria Fund: Receipts and disbursements of the cafeteria function that are processed through the county treasurer.

Capital Outlay: Amounts paid for the acquisition of fixed assets or additions to fixed assets, including land or existing buildings,

improvements of grounds, construction of buildings, additions to buildings, remodeling of buildings, or initial and additional equipment.

Cash In County Treasury: Cash balances on deposit in the county treasury for the various funds of the school district.

Chart of Accounts: A list of accounts, systematically arranged, applicable to a specific concern. All account names and numbers are listed in order.

Child Development Fund: A fund established to control the financial operations of children's centers.

Contracted Services: Expense of services rendered under contract by personnel who are not on the payroll of the school system, including all related expenses covered by the contract.

Current Expense of Education: The current general fund operating expenditures of a school district for kindergarten and grades one through 12 excluding expenditures for food services, community services, facility acquisition and construction, and object classifications 6000 (capital outlay) and 7000 (other outgo).

Deficit: Excess of liabilities over assets.

Direct Support Charges: Charges to a program from a support program that directly benefit the program charged.

Encumbrances: Obligations in the form of purchase orders, contracts, salaries, and other commitments chargeable to an appropriation for which a part of the appropriation is reserved.

Expenditures: Amounts paid or liabilities incurred for all purposes. Accounts kept on an accrual basis include all charges whether paid or not. Accounts kept on a cash basis will include only actual cash disbursements.

Full-Time Equivalent: The ratio of time expended in a part-time position to that of a full-time position. The ratio is derived by dividing the amount of employed time required in the part-time position by the amount of employed time required in a corresponding full-time position.

Fund: A sum of money or other resources set aside for the purpose of carrying on specific activities or attaining certain objectives

in accordance with special regulations, restrictions, or limitations. A fund is a distinct financial or fiscal entity.

General Fund: The fund used to finance the ordinary operations of the school district. It is available for any legally authorized purpose of the district.

General Reserve: An account to record the reserve budgeted to provide operating cash in the succeeding fiscal year until taxes and state funds become available.

Income: Revenue and nonrevenue receipts. Revenue receipts are additions to assets for which no obligations are incurred. Nonrevenue receipts are receipts of money in exchange for property of the school district or for which the district incurs an obligation.

Indirect Expense and Overhead: Those elements of indirect cost necessary in the operation of the district or in the performance of a service that are of such nature that the amount applicable to each accounting unit cannot be separately identified.

Interfund Transfers: Money that is taken from one fund under the control of the governing board and added to another fund under the board's control. Such transfers are not receipts or expenditures.

Liabilities: Legal obligations that are unpaid.

Object: As used in an expenditure classification, a term that applies to the article purchased or the service obtained.

Prior Year's Taxes: Taxes collected within the current fiscal year for levies in previous fiscal years.

Program: A group of related activities consisting of a unique combination of objects that operate together to accomplish common ends.

Registered Warrant: A warrant that is registered by the county treasurer for future payment on account of present lack of funds and that is to be paid with interest in the order of its registration.

Revenue: Addition to assets not accompanied by an obligation to perform service or deliver products.

Revolving Cash Fund: A stated amount of money used primarily for emergency or small or sundry disbursements and reimbursed periodically through properly documented expenditures, which are summarized and charged to proper accounting classifications.

Secured Roll: Assessed value of real property, such as land, buildings, secured personal property, or anything permanently attached to land as determined by each county assessor.

Supply: A material item of an expendable nature that is consumed, wears out, or deteriorates with use.

Tax Relief Subvention: Funds ordinarily paid to compensate for taxes lost because of tax relief measures.

Transfer: Interdistrict or interfund payments or receipts not chargeable to expenditures or credited to income. Certain budget revisions are often referred to as transfers.

Unappropriated Fund Balance: The portion of a fund balance not segregated for specific purposes. All assets and income available for appropriation are credited to the account and General Reserve; appropriations and obligations are debited. The net value of the account represents the unappropriated fund balance.

Unencumbered Balance: That portion of an appropriation or allotment not yet expended or obligated.

Unsecured Roll: Assessed value of personal property other than secured property.

Source: *1984 California School Accounting Manual.*

Sources

The following sources were used in preparing this book.

Factbook for School Finance Information
California School Boards Association
916 23rd Street
Sacramento, CA 95816

Association of School Business Officials
1760 Reston Avenue, Suite 411
Reston, VA 22090

School Services of California
1127 11th Street, Suite 401
Sacramento, CA 95814

Senate Bill 813

Financial Management Advisory Committee
State Department of Education
P.O. Box 944272
Sacramento, CA 94244-2720

Policy Analysis for California Education (PACE)
School of Education
University of California, Berkeley
Berkeley, CA 94720

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